

MUSC

MEDICAL UNIVERSITY
OF SOUTH CAROLINA

Office of the President
Colcock Hall
179 Ashley Avenue
PO Box 250001
Charleston • SC 29425

Ph (843) 792-2211
Fax (843) 792-1097

September 7, 2006

Chairman Tom Coburn, MD
Subcommittee on Federal Financial Management
United States Senate
439 Hart Senate Office Building
Washington, DC 20510

Attn: Anna Shopen

Dear Senator Coburn:

I am writing in response to your letter of 27 July, 2006 which arrived while I was on vacation. I apologize for the delay in my response, which has been extended further by the press of obligations with the start of the new school year. I appreciate your interest in assuring that taxpayer dollars are wisely spent, and want to affirm to you that the Medical University of South Carolina is committed to that same goal. Therefore, I and my colleagues want to be as helpful as possible in responding to your questions.

It may be useful to begin with some context about the Medical University. MUSC is a public institution of higher education located in Charleston, South Carolina. It was founded in 1824, and therefore, it is one of the oldest centers for medical education in the United States. Today, the institution has grown to include six colleges, all of which are in the health science disciplines. There are a total of 2,500 students here, as well as about 10,000 employees, including roughly 1,300 faculty members. We are the largest non-federal employer in the greater Charleston area. We own and operate a teaching hospital, as well as an Institute of Psychiatry, the Hollings Cancer Center, the Storm Eye Institute and a Children's Hospital. Each year, about 30,000 patients are treated in our hospitals and our outpatient facilities accommodate about 750,000 visits. We are also affiliated with the neighboring Ralph Johnson Veterans Administration hospital, for which we provide most of the physician staffing.

For fiscal year 2007, the operating budget of the Medical University and its affiliated entities is about \$1.4 billion per year. Slightly over half of the budget relates to the teaching hospital, with the other half covers the teaching, research and faculty practice parts of our operation. The federal government is the leading funding source for hospital care (FY06 year collections indicated): Medicare (\$165 million), Medicare (\$90

million), and Disproportionate Share (\$80 million). For physician services, we received another \$23 million from Medicare and \$32 million from Medicaid. In addition, we had about \$13 million in contracts from the Veterans Administration to provide physician services to their patients.

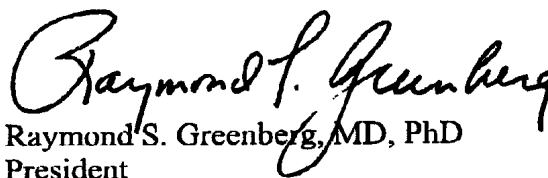
With regard to research, the federal government is our leading source of funding (FY06 awards): Federal \$121 million, of which \$83 million was from the National Institutes of Health. In the education arena, the federal government provides essential loans to our students (FY06 awards): \$47 million. With respect to facilities, the new replacement hospital that we are constructing has \$422 million of privately issued bonds are insured by a program within the Department of Housing and Urban Development.

From the preceding information, which covers only the main sources of federal support, it is clear that this institution receives well over a half billion dollars per year in funding directly or indirectly from the federal government. The Medical University of South Carolina, or any of the other academic health centers in the country, regardless of whether it is public or private, could not exist without this funding. Any loss of federal funds would be devastating to us and to our peers nationally. That point was made perfectly clear by the federal Balanced Budget Act of 1977, in which health care payments were reduced. University hospitals were particularly adversely affected because of reduced disproportionate share payments and teaching supplements. In FY99, for example, between the hospital and university, the operating loss here was \$75 million. We have had positive operating margins since FY01, but the reality is that we and our peers nationally face continuing financial instability.

Your questions referred to federal appropriations, and the information that I have provided above has focused on the most current data available to me. The pattern for prior years would be similar, but it would take considerably more time to extract and summarize for you, and I wanted to provide you with a timely response. I hope that this response addresses the principal issues of interest to you. I have copied this message to Senators Graham and DeMint, both of whom are very supportive of this institution and fully understand the importance of its mission to the people of South Carolina.

Thank you for all you do for our country.

Sincerely,


Raymond S. Greenberg, MD, PhD
President

cc: Senator Graham
Senator DeMint